

VZCZCXRO3490
PP RUEHDBU
DE RUEHTA #0943/01 1030120
ZNY CCCCC ZZH
P 130120Z APR 07
FM AMEMBASSY ASTANA
TO RUEHC/SECSTATE WASHDC PRIORITY 9068
INFO RUCNCIS/CIS COLLECTIVE 0122
RUEHIL/AMEMBASSY ISLAMABAD 2112
RUEHBUL/AMEMBASSY KABUL 0312
RUEHNE/AMEMBASSY NEW DELHI 0442
RUCPDOG/DEPT OF COMMERCE WASHDC
RUEAIIA/CIA WASHDC
RUEBAAA/DEPT OF ENERGY WASHDC

C O N F I D E N T I A L SECTION 01 OF 03 ASTANA 000943

SIPDIS

NOFORN
SIPDIS

DEPT FOR EB/ESC; SCA/CEN (O'MARA)
COMMERCE FOR ADVOCACY CENTER: BLOPP
DEPT PASS USTR

E.O. 12958: DECL: 04/12/2017

TAGS: [ECON](#) [ENRG](#) [ETRD](#) [KZ](#)

SUBJECT: ROBERT DEUTSCH DISCUSSES AFGHANISTAN, REGIONAL
INTEGRATION WITH KAZAKHSTANI OFFICIALS

REF: A. ASTANA 753

[1](#)B. ASTANA 908

Classified By: Ambassador John Ordway; reasons 1.5(b) and (d).

[1](#)1. (C) Summary: SCA Senior Advisor Robert Deutsch briefed Deputy Foreign Minister Nurlan Yermekbayev on U.S. reconstruction efforts in Afghanistan on April 6 in Astana, receiving in turn a brief of Yermekbayev's recent trip to Kabul as head of a public-private Kazakhstani delegation. Yermekbayev urged the USG to raise the issue of Kazakhstan's assistance to Afghanistan at the ministerial level whenever possible, in order to help overcome skepticism within the GOK over Kazakhstan's role. Deputy Minister of Trade and Industry Aitzhanova asked Deutsch to communicate a different message in Washington: the need for the USG to be more aggressive in urging Kazakhstan's Central Asian neighbors to play a more constructive role in the next round of TIFA negotiations. Deutsch discussed a recent World Bank study on regional transportation facilitation with World Bank and private sector representatives, exploring ways in which the inefficiencies in regional transport trade could be addressed by means of a "public-private partnership." Kazakhstani electricity experts briefed Deutsch on GOK plans to expand generation capacity to meet anticipated electricity deficits in the South. End summary.

Afghanistan

[1](#)2. (C) In Kazakhstan to attend the USTDA-sponsored Regional Telecommunications Conference, SCA Senior Advisor Robert Deutsch conducted meetings on broader regional issues in Astana on April 7. Deutsch began by providing Deputy Foreign Minister Yermekbayev with an overview of the USG Afghanistan reconstruction efforts, responding to Yermekbayev's earlier expression of interest to the DCM. Yermekbayev commented on the utility of the spending and budget figures, telling Deutsch that "we can use this to benchmark our goals with other ministries." In general, he said, "we have a will to participate more actively" in Afghanistan, but "it is not so easy to convince GOK officials" that it should be a priority. Perhaps the USG could help, he suggested, by "reminding other ministers" of the importance of Afghanistan reconstruction.

[1](#)3. (C) Yermekbayev described his recent two-day trip to Kabul

as Head of a delegation composed of government and private sector representatives. He had left with the impression that "there will not be peace in Afghanistan until the foreign military leaves, especially the Americans and British. Still, withdrawal now would lead to further ethnic clashes." Commenting on the mixed government/business delegation, Yermekbayev explained that the GOK approach was to allow the "big companies" to pursue investments ("or not"), based on their business interests, while the GOK focused on long-term "social assistance programs" -- including, potentially, "building hospitals, schools, roads, grain elevators."

14. (C) Later in the day, Vice Minister of Industry and Trade Kuandyk Bishimbayev told Deutsch that he, too, had participated in the recent GOK delegation to Afghanistan, and in fact was the head of an "inter-governmental commission" charged with exploring possible "areas of interest." (Bishimbayev said that he hoped to sponsor the first commission meeting in August or September.) The Ministry of Foreign Affairs had the lead in creating an "assistance program," he explained, while his efforts were focused on helping Kazakhstani businesses identify investment opportunities.

TIFA

15. (C) Zhanar Aitzhanova, Vice Minister of Industry and Trade (and Kazakhstan's Special Representative at WTO Accession Negotiations), used the occasion of her meeting with Deutsch to deliver a message about TIFA. The process was "slow-going," she said, due to its regional nature and a "lack of enthusiasm" from all parties except Kazakhstan and the U.S. "The USG needs to work more with other governments

ASTANA 00000943 002 OF 003

in the region" to advance the project, she urged. Kazakhstan, she added, was poorly placed to do so: "we don't want to offend Uzbekistan by looking like a regional leader." Aitzhanova indicated that the GOK intended to use the TIFA process to advance its WTO agenda because, unlike the WTO discussions, TIFA allowed the Kazakhstanis "an opportunity to talk on a more equal basis with the USTR." Aitzhanova noted that she would be in Washington on April 17 for bilateral WTO negotiations.

Transportation

16. (SBU) In Almaty, Deutsch discussed cross-border trade facilitation with Munavara Patasheva of the Forum of Entrepreneurs of Kazakhstan, and World Bank official Aslan Sarinzhapov. The meeting focused on the findings of a recent World Bank-funded study of time and cost issues (including "unofficial" payments) affecting seven regional transport corridors. The results of the study have been shared with government officials in Kazakhstan, Kyrgyzstan, and Tajikistan, and appear to provide a basis for expanded public-private dialogue on this key issue. (The Forum of Entrepreneurs, along with other regional business associations, gathered data and observations for the study, and is thus well-positioned to advocate their interests based on the results obtained.)

17. (C) Yerlan Sagadiyev, Advisor to the Prime Minister, outlined a different transportation vision over lunch in Astana on April 7. Sagadiyev described growing interest in a "multi-modal" transportation corridor across Kazakhstan linking China to Western markets. According to Sagadiyev's vision, a single right-of-way for a railroad, road, and telecommunications fiber, linked to port and trans-Caspian shipping facilities, could potentially cut 11 days off the transit time of Chinese goods to Europe. Given projected volumes of Chinese trade, particularly in perishable goods, Kazakhstan was well-positioned to enhance its role as a transit country.

Electricity

18. (C) Deutsch discussed electricity issues in a series of meetings with Samruk (national holding company) and Energy Ministry Officials. Referencing the GOK's recent evaluation of electricity balances through 2105 (Ref A), the Head of the Energy Ministry's Office of Electrical Energy Reform, Kanysh Moldabayev, told Deutsch that, in order to meet projected electricity deficits in the South, both new generation plants and renovations of existing plants would be required. The GOK study calculated that a wholesale tariff of 3.5 cents / kWh would be needed to attract sufficient private investment in generation capacity, he said. If the rate was not sufficient, the GOK would consider financing construction from the Republican budget, or through private / public partnerships. (Note: Prime Minister Masimov told Ambassador Ordway on April 9 that his goal was to achieve entirely free, market-determined tariffs "next year." Ref B. End note.) Samruk CFO Ulf Wokurka lamented the fact that, to date, only 8-10% of wholesale electricity trades were conducted on the "spot" market, short of the 25% goal set for the Samruk-managed wholesale market operator, KOREM. While having 90% of wholesale trades governed by bilateral agreements between generator and customer might not seem like a bad thing, he explained, each agreement represented a potential "sweetheart" deal, or an opportunity for the abuse of political power, and thus was best avoided.

19. (C) On the subject of regional electricity integration, Samruk's Head of the Electricity (KEGOC) Group, Esbergen Abitayev, took pains to underscore that it was only "recently," with the construction of a 500 kV North-South transmission line, that Kazakhstan's own electricity market became "integrated." Significant electricity trade took place in the North, across the Russian border; fewer, mostly seasonal volumes, occurred in the South. Speaking of investments in generation capacity, Abitayev told Deutsch that the Kyrgyz government had invited Samruk to participate

ASTANA 00000943 003 OF 003

in a "joint pre-feasibility" study (along with RAO UES) of the Kambarata hydro project. The study, he said, "will include a chapter on markets in South Asia and Afghanistan." Turning to Tajikistan, Abitayev noted that Rogun was a relatively attractive project, with much cheaper costs per kilowatt than in Kyrgystan. "We are studying the Tajik market closely," he concluded.

110. (U) Robert Deutsch has cleared this cable.
ORDWAY